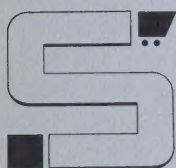


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J. JACQUES BEAUCHEMIN

President, Sullivan Mining Group Ltd.



GROUPE MINIER/**SULLIVAN**/MINING GROUP

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LTD.

*An address to the members of the
Toronto Society of Financial Analysts - April 22, 1970.*

WHAT IS THE SULLIVAN MINING GROUP LTD?

THE Sullivan Mining Group Ltd. is a medium-sized company active primarily in the eastern part of Canada and responsible for approximately 1% of Canada's non-ferrous metal production per year.

The company employs about 1,000 men, or 1% of the nation's mining force. It also accounts for approximately 1% of total dividends paid to shareholders of corporations in the same category of the Canadian mining industry.

We believe, outside of the seven giants of the mining industry, that we stand anywhere within the next level, taking into consideration the past records up to now.

The history of Sullivan began 42 years ago when the first Sullivan gold mine came to life and production in Abitibi. It was responsible for a score of affiliated mining companies in the following years.

Between the years 1930 and 1945, capital expenditures amounted to approximately \$600,000. During the subsequent decade these expenditures rose to the area of \$12 million. These investments have resulted in what is today a \$40 million corporation so far dedicated entirely to extractive purposes. The Sullivan Mining Group has to date paid approximately \$45 million in dividends. Today, the Sullivan Mining Group is the result of a series of transactions, including purchases and amalgamations which culminated in a merger on September 2, 1969.

Up to now the various companies of the Sullivan Group have produced in excess of \$300 million through the efforts of a small but a very efficient team. It is these men who are largely responsible for the success of the Group today — and who will account for its future growth.

Last year, gross production value amounted to approximately \$24 million. Net profit after taxation was about \$5,900,000, equivalent to 90¢ per share, calculated on 6,571,032 shares held by the outside public as of September 2, 1969.

Sullivan Mining Group has two main centres of operations, one in the Eastern Townships of the Province of Quebec and the other in New Brunswick, near Newcastle. The Eastern Townships mining centre includes the Solbec division and Cupra division, both of which are in production; also D'Estrie Mining Company Ltd. and Weedon Mines Ltd., currently being readied for production. All these operations are served by the same concentrator; three are located along side of each other and the fourth is only eight miles away.

During the past eight years the Solbec and Cupra divisions have produced approximately 3.5 million tons of ore, yielding an approximate average mine return of \$25 per ton, while direct costs were \$10 per ton. It should be noted that during these years copper prices were lower than those currently being received.

Following a very extensive development program carried out at D'Estrie and Weedon, possibly 8-10 more years of production can be expected from these operations. Current indications suggest at least 3.5 million additional tons of ore out of this mining camp of a similar grade and at a somewhat similar cost. This Eastern Township mining camp has been, for the last decade, responsible for the bulk of the Sullivan Mining Group's income and net earnings.

In the province of New Brunswick, another producer, Nigadoo River Mines Limited, has been

steadily improving and is now generating annual cash flow of approximately \$2 million before amortization, depreciation and payment of interest on the income debentures due to Sullivan Mining Group Ltd. The Group investment for the venture has been \$9.2 million.

With ore reserves (as at August 31, 1969) assessed at over 2.5 million tons of copper, zinc, lead, silver and cadmium content, one can expect a fair return on this investment, together with the complete repayment of the company's indebtedness to the Sullivan Mining Group Ltd. Here too, based on blocked ore reserves, we can expect operations to continue for another 8-10 years. Also, the fact that each ton of ore contains 3 oz. silver offers the possibility of additional profits in the future.

THE RECORD OF THE SULLIVAN MINING GROUP

Over our 42 years of life, the average yearly return on cumulative net worth of our group of companies (including dividends paid to shareholders) has been in excess of 16%. This year the return on net worth should be over 18%, if not better.

Net earnings for the first six months ended February 28, 1970, were approximately \$3,600,000, or the equivalent of 54¢ per share. It is anticipated that net earnings for the year will be between \$1.10 to \$1.20 per share.

The company's history, particularly over the last ten years, has been one of steady growth, resulting in an increase in the order of five times in shareholders' equity, dividends and market appreciation. As at February 28, 1970, shareholders' equity, equivalent to cash value, is \$6.02 per share (book value).

In projecting the present development of Sullivan Mining Group's mining properties, both readied for production or under exploration, one

can easily calculate that our gross production within the next few years should double. Beyond this, if our expectations concerning Brunswick Tin Mines Limited prove accurate, gross production may go far beyond the above-mentioned multiple.

FEATURES OF THE SULLIVAN MINING GROUP

Financial Position:

One basic feature which should retain the attention of the investor at a time of tight monetary conditions, is the very strong working capital position of our company. We have approximately \$16 million ready to go to work in any profitable direction.

Growth Potential — Second Feature:

Consequent to results indicated by underground workings, diamond drilling on the properties being readied for production and indications from exploration work on a number of other mining properties — such as Clinton Copper Mines, Chester Mines and Brunswick Tin Mines — we can already see a substantial change from short-life to long-life ore reserves as far as the Sullivan Mining Group is concerned.

Exploration — Third Feature:

The Sullivan Mining Group has continually pursued a very aggressive exploration policy. This year the Group has budgeted for over \$1.5 million in exploration programs, particularly covering Clinton, Chester and Brunswick Tin Mines.

(a) **Clinton Copper Mines Ltd.:** Sullivan Mining Group has a minimum of 39% interest in this company — this might be increased to a higher percentage — together with Dome Mines Limited, which has a similar interest. Clinton, located in the Eastern Townships of the Province of Quebec, is now the object of a combined feasibility

study. There is indicated, to date, approximately 1,800,000 tons of over 2% copper with accompanying zinc values.

(b) **Chester Mines Limited:** This company is located in New Brunswick, near Newcastle. The property has been explored by diamond drilling and has a good possibility of becoming a mine. It is also at present the object of a feasibility study. The deposit at Chester Mines Limited, (which now is 100% owned by Sullivan Mining Group Ltd.) has two zones, one mineable by the open pit method with about five million tons of approximately 0.8% copper with similar values of zinc and some of lead. In the other zone, extending from the open pit downward at a 20° slope, surface drilling has to date shown an additional 13 million tons of ore grading 0.77% copper. This last zone, because of its size, shape and dimension, could be the object of a low cost underground mining operation.

(c) **Brunswick Tin Mines Limited:** Perhaps the most significant property is Brunswick Tin Mines where a large amount of exploration money has been expended during the last two years.

Work on this property, near St. Stephen, has revealed intriguing results. Some of the previous work which was carried out by our predecessors involved over \$3 million on this property; Sullivan Mining Group has to date spent approximately \$1.5 million more. So far, this property has shown signs of huge tonnage potential of a multi-mineral type, containing such metals as molybdenum, bismuth, tungsten, copper, tin, zinc, lead, fluorspar, to name a few. While it would be premature to properly assess feasibility before further exploration work and metallurgical research are more advanced, preliminary studies have been most encouraging.

Diamond drilling indications so far suggest the presence of approximately 37 million tons of ore with gross values approximating \$20 per ton.

Further work is necessary, both to verify the figures mentioned and to increase the tonnage, as anticipated by our geologists. The company will also pursue a metallurgical program of research which will assess the metal recovery of these deposits.

Sullivan Mining Group owns an additional large area of 540 claims (approximately 15,000 acres) which surrounds the Brunswick Tin Mines property. This covers seven miles on the break.

SULLIVAN MINING GROUP INTEGRATION POLICY

The Group continues to pursue its integration policy and has recently purchased the outside interest of Weedon Mines Ltd. and Chester Mines Limited; both are now wholly-owned by Sullivan Mining Group Ltd.

POLICY OF SELF-FINANCING

During the past 15 years the Group has followed a policy of internal financing for exploration, development and production activities. It has done this after allocating substantial sums for dividend payments which are presently based on a rate of 12½¢ per quarter. Inasmuch as this policy has demonstrated its effectiveness, both in supporting our activities and in avoiding equity dilution to shareholders, it is intended to reasonably adhere to this same policy of internal financing in the future — provided that fiscal restrictions do not jeopardize the company's financial position.

LABOUR CONTRACTS RENEWAL

The bulk of our current production comes from the Solbec and Cupra divisions in the Eastern Townships, Province of Quebec, while we are preparing the production at D'Estrie Mining Company Ltd. and Weedon Mines Ltd. It might

be worthwhile to note that our labour contracts for all these mining divisions and companies have just been renewed and cover a three-year period, starting from February, 1970. We are pleased to report that the renewal of these contracts was made in a very good spirit and on satisfactory terms for each party concerned.

LISTING ON THE AMERICAN STOCK EXCHANGE

The board of directors of Sullivan Mining Group Ltd. is contemplating the listing of its shares on the American Stock Exchange. Indications are that our company will be accepted. While this can sometimes be a time-consuming process, it has nevertheless proven of benefit to the company and its shareholders. We are concentrating on blocking out our indicated or proven ore reserves as required for the A.S.E. listing application, and this has added significantly to the anticipated life of our mines.

CONCLUSIONS

In my closing remarks, I would like you to feel that we are very optimistic for the future of the Sullivan Mining Group and that I realize that in the space of a few minutes it is impossible to give you a fully comprehensive review of our company's picture.

Our future is not necessarily linked to the eastern part of Canada but also to the rest of the country. The board of directors feels that any situation of merit, wherever located, must be closely examined and negotiated whenever possible.

We are more than willing to offer our share of knowledge and successful mining record with other mining companies in the exploration field, on situations of mutual interest and benefit.